GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:4802
ANSWERED ON:30.03.2017
Regulation of Air Fare
Chowdhary Shri Pankaj;Mondal Shri Sunil Kumar;Sawaikar Shri Advocate Narendra Keshav;Swami Maharaj Dr. Sakshi

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether sudden surge in air fares have come to the notice of the Government and if so, the details thereof;

(b) whether Competition Commission of India (CCI) has taken note of it and have started investigation into the matter;

(c) if so, whether CCI has submitted any report to the Government in this regard;

(d) if so, the action taken/proposed to be taken by the Government to keep the prices of airlines tickets under control;

(e) whether the airlines are charging high air fares despite the decline in crude oil price at world level; and

(f) if so, the reasons therefor and the steps taken by the Government to regulate air fare in the country?

Answer

Minister of State in the Ministry of CIVIL AVIATION

(Shri Jayant Sinha)

(a): Airlines adopt dynamic pricing by changing prices often depending on the day of the week, time of the day, and number of days before the flight factoring in different components such as, how many seats a flight has, departure time, and average cancellations on similar flights. Dynamic pricing plays a crucial role in determining how airlines improve their revenue per flight. Airlines are required to fix the reasonable tariff under the provision of Sub-rule (1) of Rule 135, Aircraft Rules 1937 having regard to all relevant factors, including the cost of operation, characteristics of service, reasonable profit and the generally prevailing tariff.;

(b) to (d): In a matter on charges of arbitrary high airfare, the petition filed with Competition Commission of India (CCI) in the matter of Case No. 68/2012 for issue of direction to Directorate General of Civil Aviation (DGCA) and Secretary, Civil Aviation to fix Maximum Retail Price (MRP) for airlines, CCI has stated in their Order that the Commission cannot give direction to this effect. In fact that will be contrary to the spirit of competition law. Today, the forces of demand and supply govern the air fares. Order of CCI is placed at Annexure-1.;

(e) & (f): No such analysis have been carried out by this Ministry.;

With regard to regulation of airfare, it is stated that the provision of tariff approval was dispensed with by the Government with the repeal of Air Corporation Act in March, 1994.;
Airlines are required to fix the reasonable tariff under the provision of Sub-rule (1) of Rule 135, Aircraft Rules 1937 having regard to all relevant factors, including the cost of operation, characteristics of service, reasonable profit and the generally prevailing tariff.;
Airlines remain compliant to the to the regulatory provisions of Sub-Rule 2 of Rule 135 as long as the fare charged by them does not exceed the fare established and displayed on their website.;
In accordance with Sub-Rule 4 of Rule 135, the Director-General upon being satisfied can issue directions to air transport undertaking if it is established that the air transport undertaking is engaged in excessive or predatory tariff under Sub-Rule (1) or has indulged in oligopolistic practice.